

**STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE
45 Fremont Street, 21st Floor
San Francisco, California 94105**

RH05047235

January 16, 2007

**INITIAL STATEMENT OF REASONS
Proposed Amendments to the Low Cost Auto Plan of Operations**

PURPOSE OF THE REGULATION

Pursuant to California Insurance Code section 11620 California Insurance Commissioner Steve Poizner will hold a public hearing regarding the recommendation of the California Automobile Assigned Risk Plan ("CAARP" or "Plan") to amend the Low Cost Automobile (LCA) Insurance Programs Plan of Operations referenced in Title 10, Chapter 5, Section 2498.6 of the California Code of Regulations.

NECESSITY OF REGULATION

At the time of development of the Low Cost Plan of Operations, the new CAARP Plan of Operations had not yet been approved. Therefore, references in the Low Cost manual to the appropriate sections of the old CAARP regulation were inserted. However, because the new CAARP Plan of Operations has been approved and implemented, it is necessary to update CAARP references in the Low Cost Plan of Operations.

IDENTIFICATION OF STUDIES

The proposed amendments rely only upon the expertise and experience of CAARP's Advisory Committee. No data, studies, information or reports were submitted for this proceeding.

SPECIFIC ACTIONS, PROCEDURES, TECHNOLOGIES OR EQUIPMENT

Adoption of the proposed changes would not mandate the use of specific technologies or equipment.

REASONABLE ALTERNATIVES

The Commissioner invites public comments on the proposed changes and reasonable alternatives which would be as effective to carry out the proposed changes.

ECONOMIC IMPACT ON BUSINESS

The Commissioner has initially determined that the proposed changes will not have a significant adverse economic impact on businesses. The Commissioner invites interested parties to comment on whether the proposed changes will have a significant adverse economic impact on business.